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Summary of the survey of economic and social developments in the region of the Economic and Social Commission for Western Asia, 1991

SUMMARY

The Persian Gulf conflict and its aftermath have dealt a severe blow to economic and social conditions in Western Asia. The region of the Economic and Social Commission for Western Asia (ESCWA) as a whole experienced a negative growth rate of 3.8 per cent in 1990 and its gross domestic product (GDP) is estimated to have contracted further by 4.9 per cent, in 1991 (see table). The GDP of the Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) is estimated to have declined by 0.6 per cent in 1991. Excluding Kuwait, the rate of GDP growth rose to more than 5 per cent in 1991, owing mainly to the robust performance of the Saudi Arabian economy. The GDP of the more diversified countries of the region (Egypt, Iraq, Jordan, Lebanon and the Syrian Arab Republic) is estimated to have declined by 13 per cent in 1990 and by 12.4 per cent in 1991. The considerable contraction in GDP of this group may be attributed mainly to the sharp decline in output of Iraq and the disruption of economic, trade and labour flows between the GCC countries and the group. The GDP of the least developed country of the region, namely Yemen, is estimated to have declined by 3 per cent in 1990 and 4.8 per cent in 1991.

* E/1992/100.

Among the more adverse effects of the Persian Gulf conflict on ESCWA's labour-sending countries was the sudden, massive influx of returnees. In late 1991, estimates indicated that the combined number of returnees totalled 1,947,000. The number of returnees was large in absolute and in relative terms, particularly in Yemen (732,000) and Jordan (300,000), causing the resident population to increase abruptly by 7 per cent in the former and 10 per cent in the latter.

Inflationary pressures increased in the more diversified economies of Western Asia owing mainly to the negative effects of the Persian Gulf conflict and/or the marked depreciation in the value of the national currency. Indications are that Iraq suffered from hyperinflation in 1990 and 1991. It is estimated that in 1991 the inflation rate registered 50 per cent in Lebanon and exceeded 20 per cent in Egypt and Yemen. On the other hand, inflationary pressures in the GCC countries (excluding Kuwait) have generally remained fairly modest over the last two years, reflecting in part highly subsidized basic goods and services and generally conservative monetary policies as well as strong and stable exchange rates.

The total identified external debt of the ESCWA region reached $153 billion in 1990, representing 9 per cent of the total external debt of all developing countries in that year. In a number of countries the debt situation has been serious and in some cases - Egypt, Jordan, Yemen and the Syrian Arab Republic - critical. In those countries, debt service and debt repayments have been rising with adverse repercussions perhaps as severe as those in other highly indebted countries. The debt service burden continues to deprive Egypt and the Syrian Arab Republic of badly needed foreign exchange, despite the forgiveness of a significant portion of their external debts in 1991.

The oil sector continued to play a dominant role, directly and indirectly, in most economies of the region. For the ESCWA region as a whole, oil production in 1991 was 13.82 million barrels a day (m/b/d), compared with 14.29 m/b/d in 1990 and 14.16 m/b/d in 1989. The region's oil revenues in 1991 were estimated at $75.6 billion, compared with $83.7 billion in 1990 and $69.7 billion in 1989. In 1990 most ESCWA oil-producing countries (excluding Iraq and Kuwait, where output was drastically reduced) registered notable increases in production and, helped by higher prices, in revenues. Owing mainly to the drop in oil prices in 1991, oil revenues of all ESCWA oil producers declined, with the exception of Saudi Arabia and the Syrian Arab Republic.

The 1990/91 and 1991/92 budgets of most of the GCC countries reflect the impact of increased expenditures to finance the consequences of the Persian Gulf conflict, with large deficits appearing in the case of Kuwait and Saudi Arabia. At the same time, the international reserves of the ESCWA region dropped from $35.6 billion in 1989 to $31.4 billion in 1990, with indications of a further drop in 1991.

The ESCWA region's current account balance registered a surplus in 1989 (excluding Iraq and Lebanon) after seven years of successive deficits. The surplus increased further (excluding Iraq, Kuwait and Lebanon) in 1990, rising from $2.4 billion to $4.4 billion. The improvement came as a result of the sharp increase in the trade surplus, from about $2.1 billion in 1988 to $20.9 billion in 1989 and, further, to $32.3 billion in 1990. This in turn reflected the improvement in the GCC countries. In contrast, the deficit on the services account rose from $6.3 billion in 1989 to $14 billion in 1990, while the deficit of unrequited transfers rose from $5.4 billion to $8.6 billion. The improvement in the trade balance in 1990 reflected essentially higher oil exports after the surge in oil prices in the beginning of August, and also the continuous compression of imports. Judging by preliminary data available for some GCC countries, the decline in oil prices and the continuation of economic sanctions against Iraq, it appears that, with the exception of Saudi Arabia, exports of the GCC countries and Iraq declined in dollar terms in 1991, especially those of Iraq.

The financial constraints that were accentuated by the Persian Gulf conflict will negatively affect the level of investment expenditures in the ESCWA region as a whole, but particularly in the resource-deficit countries. Reconstruction, and the rebuilding of Kuwait's oil industry in particular, is expected to continue to progress rapidly. The return of business confidence to the GCC countries is expected to enhance economic activities in those countries during 1992. Following present trends, Iraq is expected to continue to suffer in 1992 from the devastation of its economy during the Persian Gulf conflict, as well as from the imposition of the United Nations trade embargo. While the removal of sanctions should help stop socio-economic conditions from deteriorating further, full economic recovery will take considerable time, given the enormous external financial obligations and the large domestic investment and reconstruction requirements.

The ESCWA countries that have to cope with large numbers of returnees will continue to suffer from the burden of their reintegration and from the decline in workers' remittances. Moreover, financial aid and trade relations between the GCC countries and countries regarded as having been sympathetic to Iraq during the Persian Gulf conflict are expected to remain minimal in 1992 and possibly for several years thereafter.

The Persian Gulf conflict provided a fresh reminder of how much development and progress in the region had been dependent on peace and political stability. Development prospects have been severely set back by the resulting massive destruction of economic and social infrastructure in Iraq and Kuwait, by the need to divert huge resources to finance the war and strengthen defence capabilities in several countries and by the disruption of intraregional trade, capital and labour flows. Less apparent, but no less important, has been the adverse impact on regional cooperation, which it will take time and effort to redress.

Recent developments have further highlighted the vulnerability of member countries to exogenous factors, whether originating inside or outside the

region. Both the surplus and deficit member countries are exposed, though the nature of the exposure and its implications may be different. While the exposure and vulnerability of the surplus countries arise essentially from the heavy dependence on oil as their main source of income and foreign exchange on the one hand and the heavy reliance on expatriate labour and expertise for the proper functioning of their economies on the other, the exposure and vulnerability of the deficit countries, including the least developed member of the group (Yemen), derive from excessive dependence on the outside world, and mainly the surplus countries of the region, for the bulk of their foreign exchange earnings be those through trade, aid or workers' remittances. This points to the basic need to diversify the region's economies and sources of foreign exchange and to the overriding importance of intraregional economic relations and interdependence (and at the same time to the instability of those relations).

The Persian Gulf conflict ended up adding to the serious economic and social problems associated with structural unemployment and unproductive employment in the region. Traditionally, the Persian Gulf region and Iraq had provided an outlet that absorbed a significant segment of the labour force in the non-oil economies, to the advantage of both labour-receiving and labour-sending countries. Reduced demand for labour in the Persian Gulf States had already been in evidence prior to the Persian Gulf crisis, mainly as a result of unfavourable trends in oil prices and completion of major infrastructural projects. However, as indicated above, the crisis itself forced a massive return of workers to their country or area of origin (Egypt, Jordan, Lebanon, the Syrian Arab Republic, Yemen and the occupied Palestinian territory). This raised unemployment to unprecedented levels and imposed on the countries concerned burdens that were far beyond their means to cope with. The demand on the limited resources of the ESCWA labour-sending countries surged, particularly that for health services, education facilities, public transportation and housing. The sudden, massive number of returnees continue to exert enormous strains on social services and physical infrastructure in those countries. The absorption cost of the returnees to Jordan, for example, was estimated at $3.14 billion over a three-year period. The absorption of returnees has become a major issue that these countries will face for several years to come. Their ability to cope with that issue will depend largely on adequate regional and international financial and technical assistance, on future policies regarding employment of expatriates in the Persian Gulf States and on the finding of alternative labour markets and employment opportunities.

Balance-of-payments and budgetary imbalances remain a major feature of the economies of many ESCWA countries. Recessionary conditions in the Persian Gulf subregion throughout most of the 1980s have had significant negative spillovers for the other member countries essentially in the form of reduced aid, but also in terms of lower workers' remittances and trade exchange. As a result several member countries including Egypt, Jordan, the Syrian Arab Republic and Yemen have had to contract additional external debt to the extent that debt repayment and servicing became a major constraint on their ability to develop. Those countries found themselves unable to meet their debt

obligations without jeopardizing investment and consumption levels, not to mention accommodation of rapidly increasing populations. However, a number of them have benefited from debt relief and/or additional aid disbursements in the wake of the Persian Gulf conflict by creditors from inside and outside the region and from the adoption and implementation of adjustment policies. However, further measures at the regional and international levels are needed to relieve these countries of their heavy debt burden. This is especially relevant in the case of the countries such as Jordan and Yemen that did not benefit from debt forgiveness and additional aid flows and whose economies at the same time suffered greatly as a result of the Persian Gulf conflict.

Growing income disparities within and between countries of the region could have serious adverse implications for long-term growth and development of all member countries by fermenting social and political unrest and instability. Reduced aid flows and the repatriation of hundreds of thousands of workers as a result of the Persian Gulf conflict have accentuated the problem. Current proposals to set up a regional development and reconstruction bank are a step in the right direction, though their success would ultimately depend on benefits being made accessible to all countries in need in the region.

Until the discovery of oil (though in very modest quantities) in 1987, the least developed member country, Yemen, relied almost exclusively on workers' remittances and grants originating mainly in neighbouring Persian Gulf countries to finance its development requirements. The virtual cessation of these flows in the wake of the Persian Gulf conflict dampened the country's development prospects that the discovery of oil had prompted. Moreover, these adverse developments occurred shortly after the unification of the two regions of the country in May 1990, thus further complicating the transition process. It would appear, therefore, that any discussion regarding the least developed status, and possible graduation from that status, of Yemen should not be taken lightly.

While a number of member countries (such as Egypt and Jordan) have for some time been implementing macroeconomic structural adjustment policies in close consultation with the International Monetary Fund and the World Bank in order to cope with various imbalances and distortions in their economies, the consequences of the Persian Gulf conflict have made such policies more pressing. The issues involved, however, go beyond coping with imbalances and distortions and the aftermath of the Persian Gulf conflict. The region cannot ignore the trends under way in various parts of the world to transform managed economies in favour of market-oriented economic systems, whose salient feature is privatization of ownership of the means of production. While privatization has been gaining momentum in the region in the last few years, the role of the public sector could be expected to remain strong if only because a substantial portion of the wealth and income generated remains in the hands of Governments. The path towards privatization, therefore, may differ in scope and nature from that under way in other parts of the world.

The formation of a single and enlarged European market poses another challenge to the countries of the region in the coming years. Those countries will not be able to respond effectively to this challenge unless they themselves come closer to each other economically. While past experience to promote regional cooperation has not been encouraging in general, fresh efforts that transcend intercountry differences will be needed in order to safeguard the region's overall interests.

The region's prospects in the years ahead will also be strongly affected by two additional factors. The first is the speed with which reconstruction occurs in war-torn countries: Lebanon, Iraq and Kuwait. The second development relates to the outcome of Arab-Israeli negotiations, which could modify both the political and the economic map of the region.

Macroeconomic indicators for the region of the Economic and Social Commission for Western Asia, 1989-1991

Indicator	1989	1990	1991
GDP (billions of dollars) a/	292.0	280.9	267.0 b/
GDP growth rate (percentage)	5.8	(3.8)	(4.9)
Per capita GDP (dollars)	2 405	2 233	2 063
GDP (billions of dollars) c/	211.7	224.6	235.3 b/
GDP growth rate (percentage) c/	4.1	6.1	4.8
External debt (billions of dollars)	148.6	153.0	..
Debt service payment (billions of dollars)	14.2	14.5	..
External debt/GDP (percentage)	50.89	54.49	..
Exports (billions of dollars)	88.59	102.13	..
Imports (billions of dollars)	67.71	69.84	..
Balance of trade (billions of dollars)	20.88 d/	32.29 c/	..
Current account balance (billions of dollars)	2.4 e/	4.40 f/	..
International reserves (billions of dollars)	35.63 g/	31.36 h/	..
International reserves/import ratio (months)	6.3	5.8	..
Oil production (millions of barrels a day)	14.16	14.29	13.82
Oil revenues (billions of dollars)	69.7	83.7	75.6
Proven oil reserves (billions of barrels)	566.69	569.26	568.20
Proven oil reserves/total world oil reserves (percentage)	56.8	57.0	57.3
Proven oil reserves/oil production (years)	109.7	109.1	112.5
Natural gas reserves/total world gas reserves (percentage)	19	17	16.7
Agricultural imports (billions of dollars)	17.2	17.3	..
Agricultural exports (billions of dollars)	2.5	2.6	..
Agricultural balance of trade (billions of dollars)	(14.7)	(14.7)	..
Manufacturing value added (billions of dollars)	28.7	23.0	..
Number of returnees by year end (millions)	..	..	1.95

Source: Economic and Social Commission for Western Asia (ESCWA), based on national and international sources.

Note: Parentheses ( ) indicate a deficit or negative amount. Two dots (..) indicate incomplete data.

(Footnotes on following page)

(Footnotes to table)

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a/ At constant 1980 prices.

b/ Preliminary estimates.

c/ Excluding Iraq and Kuwait.

d/ Excluding Iraq.

e/ Excluding Iraq and Lebanon.

f/ Excluding Iraq, Kuwait and Lebanon.

g/ Excluding Iraq and the Syrian Arab Republic.

h/ Excluding Iraq, Kuwait and the Syrian Arab Republic.

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INTRODUCTION

1. Weakening of the world economy in 1990 and 1991; deceleration in world trade growth; German unification and economic integration in Europe; transformation in the former Union of Soviet Socialist Republics and Eastern Europe; and the stalled five-and-a-half-year-old Uruguay Round of multilateral trade negotiations have affected economic development and growth in Western Asia, in view of the high degree of openness of the economies of the region. However, the factor with the most profound and far-reaching effects on the countries of the region of the Economic and Social Commission for Western Asia (ESCWA) has been the Persian Gulf conflict. The Persian Gulf conflict inflicted considerable short- and long-term damage on the fabric of economic, social and environmental conditions in Western Asia and precipitated a severe set-back to regional economic cooperation and integration efforts.

2. The Persian Gulf conflict dealt a severe blow to the economies of the ESCWA region, through direct destruction of and damage to infrastructure and disruption of trade links, labour exchange, financial aid and capital flows. Macroeconomic conditions in most labour-sending countries deteriorated considerably as a consequence.

3. The Persian Gulf conflict has severely damaged the infrastructure and industrial base of Kuwait and Iraq and inflicted great harm on the ecological balance in the Persian Gulf subregion. The Iraqi invasion of Kuwait on 2 August 1990 and subsequent military operations caused the destruction of a significant part of the country's physical infrastructure and seriously damaged power and water desalination plants. Basic water and sewerage systems and hospitals were also damaged. Most important, however, was the severe damage done to the country's oil industry. Over 700 oil wells were either set ablaze or gravely damaged. Refineries, pipelines and storage systems were destroyed. Kuwait's installed oil production capacity, which had been estimated at 2.9 million barrels a day (m/b/d) before the eruption of the Persian Gulf conflict, was down to naught by the time military operations had ended in late February 1991. In addition to the wasteful burning of around 4 m/b/d of crude oil, fires resulted in the pollution of the air with huge clouds of dark, oily smoke, with spilled oil polluting land and sea. While the environmental havoc wrought, and its adverse long-term ecological and health-related repercussions have still to be assessed, discomfort from that havoc was immediately felt in the whole Persian Gulf area.

4. With access to a large foreign assets portfolio, Kuwait has managed to overcome the critical difficulties it faced following the cessation of military operations in late February 1991, as evidenced by the speed with which it extinguished the oil fires and by the rapid increase in oil production - to 450,000 b/d by the end of 1991 and 700,000 b/d by the first quarter of 1992.

5. For Iraq and its people the Persian Gulf conflict and its aftermath were devastating. In addition to tens of thousands killed or wounded, the Persian Gulf conflict greatly damaged Iraq's economic infrastructure. More than 30

major bridges across the Tigris and Euphrates rivers were reported to have been totally destroyed and the railway system ceased to operate as a result of war-inflicted damage. Power plants, oil installations, telephone systems, military industries, many roads and private sector establishments were also damaged.

6. Official Iraqi estimates had put the cost of reconstruction of establishments of particular importance to the economy and social life at 8.0 billion Iraqi dinars ($25.6 billion at the official exchange rate), of which 80 per cent ($20.5 billion) was in foreign currency. 1/ Those estimates, however, do not include various forms of social and humanitarian losses and damage both to military installations and industries and to private sector establishments. Though some reconstruction and repair have already been carried out, the remaining task - given the United Nations sanctions and the poor state of the economy - is formidable.

I. OVERALL ECONOMIC PERFORMANCE

7. The Persian Gulf conflict and its aftermath continue to adversely affect economic and social performance and prospects in the region as a whole, owing mainly to the close trade and economic links among countries of the region that have developed and deepened as a result of rapid economic development in the major oil-exporting countries of the region since the mid-1970s.

8. The region as a whole experienced a negative growth rate of 3.8 per cent in 1990 and its gross domestic product (GDP) is estimated to have contracted by a further 4.9 per cent in 1991. This can be attributed mainly to the loss of output in Iraq, Kuwait and, to a lesser extent, Jordan and Yemen. However, economic performance, as well as the impact of the Persian Gulf conflict on that performance, varied from one group of countries to another.

9. The Gulf Cooperation Council (GCC) countries enjoyed overall favourable economic conditions in 1989, reflecting to a great extent improvements in the mining sector (mainly oil and natural gas). The combined GDP of this group of countries, which grew by 6.6 per cent in 1989, slowed down in 1990 to about 2.8 per cent, despite the rise in oil prices and revenues during the second half of 1990. This can be attributed mainly to the considerable decline in the output of Kuwait. In 1991, the GDP of the GCC countries is estimated to have declined by 0.6 per cent. However, excluding Kuwait, the rate of GDP growth rose to more than 5 per cent in 1991, owing mainly to the robust performance of the Saudi Arabian economy. The ending of the Persian Gulf conflict has resulted in improved business confidence and an increase in both public and private sector investment expenditures in several GCC countries, particularly Saudi Arabia.

10. The economic impact of the Persian Gulf conflict on the more diversified countries of the region (Egypt, Iraq, Jordan, Lebanon and the Syrian Arab Republic) was direct and severe. The economies of most countries in this group, as well as the economy of the occupied Palestinian territory, were

closely linked to those of the GCC countries and Iraq through various channels: financial assistance, employment opportunities, remittances and trade. The flow of capital and workers' remittances from the GCC countries had for many years helped finance large trade and budget deficits as well as investment in these countries.

11. The combined GDP of these countries, which grew by 4.5 per cent in 1989, is estimated to have declined by 13 per cent in 1990. Preliminary data for 1991 suggest that GDP declined by a further 12.4 per cent. This poor economic performance in 1990 and 1991 reflected mainly the great loss of output in Iraq and to a much lesser extent in Jordan.

12. The economy of the least developed member country in the region, namely Yemen, experienced negative growth rates in both 1990 and 1991. The Persian Gulf conflict aggravated the inherent structural weaknesses of the economy. Overall economic performance, as measured by GDP, declined by 3 per cent in 1990 and is estimated to have declined further, by 4.8 per cent, in 1991.

13. Among the more adverse effects of the Persian Gulf conflict on ESCWA's labour-sending countries was the massive and sudden influx of returnees. In late 1991, estimates indicated that the combined number of returnees to the ESCWA labour-sending countries totalled 1,947,000, divided as follows: Egypt (700,000), Jordan (300,000), Lebanon (60,000), the occupied Palestinian territory (45,000), Yemen (732,000) and the Syrian Arab Republic (110,000). This figure represented 75 per cent of the total number of returnees attributed to the Persian Gulf conflict. The number of returnees was large in absolute and relative terms particularly in Yemen, the region's least developed member country, and Jordan. The returnees abruptly increased the resident population of the former by 7 per cent and that of the latter by 10 per cent. In particular, the demand for health services, education facilities, public transport and housing increased considerably. Inflationary pressures increased notably in the housing markets in Jordan and Yemen. The sudden and massive number of returnees continue to exert enormous strains on social services and physical infrastructure in ESCWA's labour-sending countries. The absorption cost of the returnees in Jordan, for example, was estimated at $3.14 billion over a three-year period.

14. The Persian Gulf conflict exacerbated the unemployment problem in ESCWA labour-sending countries. Unemployment rates jumped to economically and socially critical levels and are estimated to have exceeded 30 per cent in Jordan, Lebanon and Yemen. This, in turn, has had negative economic and social ramifications in terms of lost potential output and rising rates of crime and drug use, for example. In addition, it is feared that the excessively high unemployment rates in ESCWA labour-sending countries, if they remain unchecked, may also hinder female participation in the labour force.

15. Even prior to the eruption of the Persian Gulf conflict, unemployment rates in the ESCWA labour-sending countries were already excessively high, owing to a number of factors: (a) high population growth rates; (b) recessionary conditions in the Gulf Cooperation Council (GCC) countries

during the second half of the 1980s; (c) implementation of adjustment policies by some member countries (Egypt and Jordan) aimed at reducing economic imbalances; (d) earlier return of large numbers of Egyptian workers from Iraq and of Lebanese nationals from some African countries; (e) influx of foreign labour (occupied Palestinian territory); and (f) disruption of economic activities owing to civil strife (Lebanon) and the uprising (intifadah) (occupied Palestinian territory).

16. Inflationary pressures increased in the more diversified economies of Western Asia mainly owing to the negative effects of the Persian Gulf conflict and/or marked depreciation in the value of national currencies. Though no official general price index is available, there are strong indications that Iraq suffered from hyperinflation in 1990 and 1991. Lebanon's estimated inflation rate of 50 per cent in 1991 seems to have already been exceeded in the first quarter of 1992. Inflation rates in Egypt and Yemen are estimated to have exceeded 20 per cent in 1991. However, the high inflation rate in Egypt in 1991 is considered to have been caused partly by the reduction in government subsidies for basic goods and services and partly by the introduction of a 10 per cent sales tax.

17. Inflationary pressures in the GCC countries (excluding Kuwait) have generally remained fairly modest over the last two years (at 3 per cent or below) with the exception of the United Arab Emirates, where the inflation rate is estimated to have been 6.5 per cent in 1990 and 4.3 per cent in 1991. The low level of inflation in the GCC countries, compared with that in other ESCWA countries, reflects in part highly subsidized basic goods and services as well as stable and strong exchange rates.

II. SECTORAL DEVELOPMENTS

18. Oil production was rising in several ESCWA countries during the first seven months of 1990. Kuwait and the United Arab Emirates were producing considerably more than their assigned Organization of the Petroleum Exporting Countries (OPEC) quota, while Saudi Arabia restrained the increase in its output out of concern for weakening oil prices. Other ESCWA countries were producing oil at near full-capacity levels in an effort to maximize foreign exchange earnings.

19. The Persian Gulf conflict dealt a severe blow to oil production and export capacity in both Kuwait and Iraq. In July 1990, Iraq and Kuwait produced 3.45 m/b/d and 1.85 m/b/d, respectively, or 22.5 per cent of total OPEC output. The removal of their combined oil exports of around 4.5 m/b/d created a sudden world-supply shortage and led to sharply higher prices. The average price of the basket of seven OPEC crudes increased from $15.68 a barrel in July to $24.89 a barrel in August and continued to rise through October 1990 when it registered $34.58 a barrel, the highest monthly average in over nine years. In response, oil production in many countries, including ESCWA members, increased to near full-capacity levels by the end of 1990.

20. For 1990 as a whole, oil production in the ESCWA countries as a group was at about the same level as in the previous year (14.29 m/b/d compared with 14.16 m/b/d), albeit with wide discrepancies in output levels among individual countries. Thus, while oil production in Iraq (2.0 m/b/d) and Kuwait (1.8 m/b/d) fell by 27.7 per cent and 36.1 per cent respectively, it increased by 25.2 per cent (to 6.47 m/b/d) in Saudi Arabia, by 9.5 per cent (to 2.05 m/b/d) in the United Arab Emirates and by 3.3 per cent (to 0.66 m/b/d) in Oman.

21. During 1991 oil production in Kuwait and Iraq tumbled to 0.19 m/b/d and 0.3 m/b/d respectively, while it further increased in Saudi Arabia (to 8.23 m/b/d), in the United Arab Emirates (to 2.37 m/b/d) and in Oman (to 0.7 m/b/d). During 1990 and 1991 notable increases in oil production were also registered in the Syrian Arab Republic (34.5 per cent), Egypt (5.3 per cent) and Yemen (5.3 per cent). Overall oil production in the ESCWA countries in 1991 totalled 13.82 m/b/d, a figure 3.28 per cent below its 1990 level.

22. The Persian Gulf conflict and its aftermath greatly affected the level of oil revenues of ESCWA countries in 1990 and 1991. Obviously, Kuwait and Iraq witnessed a drastic reduction in oil revenues, given the sharp decrease in their oil production and exports. Kuwait's oil revenues are estimated to have fallen by around one third in 1990, and in 1991 the country's estimated $978 million oil export revenues represented around 10 per cent of their 1989 level. Similarly, Iraq's oil revenues fell by close to two fifths in 1990 and were practically negligible in 1991, owing to the maintenance of United Nations economic sanctions.

23. The countries that witnessed the largest increases in oil export revenues in 1990 were those that were able to raise considerably their oil production and hence maximize their benefits from the surge in oil prices during the last five months of the year. Saudi Arabia's oil revenues are estimated to have increased from $23.3 billion in 1989 to $40.4 billion in 1990, or by 73 per cent. Similarly, the United Arab Emirates' oil revenues are estimated to have increased from $10.3 billion in 1989 to $16.0 billion in 1990, or by 54.6 per cent. Qatar's oil export revenues increased by 31.4 per cent in 1990, to $2.8 billion. Benefiting from the considerable increase in average oil prices in 1990, and higher output levels, oil revenues surged also in Egypt, Oman and the Syrian Arab Republic.

24. In 1991, however, only Saudi Arabia and the Syrian Arab Republic increased production and exports sufficiently to compensate for the 16.2 per cent decline in average oil prices. Thus, in 1991 oil export revenues are estimated to have fallen in all ESCWA countries, with the exception of the above-mentioned two countries. Oil export revenues of Saudi Arabia, estimated at $47.5 billion in 1991, were more than twice the amount recorded in 1989. For the ESCWA oil producers as a group, oil revenues totalled $75.6 billion in 1991, that is, they were 9.7 per cent below their 1990 level.

25. Proven oil reserves in the ESCWA region at the beginning of 1992 were estimated at 568.2 billion barrels, accounting for 57.3 per cent of the world's total, compared to a 47.8 per cent share at the beginning of the 1980s. Oil reserves of the four major oil-producing ESCWA countries, namely Saudi Arabia (257.8 billion barrels), Iraq (100 billion barrels), the United Arab Emirates (98.1 billion barrels) and Kuwait (94 billion barrels), alone account for 550 billion barrels, or 96.8 per cent of the region's total and 55.5 per cent of total world proven oil reserves.

26. The present level of oil reserves in the region is sufficient to last for 113 years at 1991 production levels, assuming that Iraq and Kuwait maintain production at their respective 1989 levels, and not at the exceptionally low levels of 1991. There are, however, great intercountry disparities in the proven oil reserve/production ratios. Thus, while the United Arab Emirates and Saudi Arabia can maintain their 1991 oil production levels for another 113.5 years and 85.8 years respectively, oil reserves in the Syrian Arab Republic and Bahrain may be depleted in 9.4 years and 5.5 years respectively, barring new discoveries. Iraq and Kuwait, assuming production levels of a more normal year such as 1989, can maintain production for another 98 and 140 years respectively.

27. While much less significant than that of oil, the use of natural gas, in the ESCWA region is growing in importance at the domestic level and holds promise at the international level. The region holds 16.7 per cent of the world's natural gas reserves, but interregional and intraregional gas trade remains minimal. Intraregional trade in natural gas occurred on a limited basis prior to the Persian Gulf conflict and the potential for increasing trade exists within the region. The Syrian Arab Republic, Iraq, the United Arab Emirates and Qatar have the ability to provide nearby countries with gas supplies requiring relatively modest levels of investment. Qatar possesses one of the world's largest natural gas fields and during 1991 completed the first phase of its three-phase gas development project.

28. Most of the gas produced in the ESCWA region is consumed domestically. Recent gas discoveries in Egypt, Jordan and the Syrian Arab Republic have been exploited quickly for domestic use, and similar plans are also under consideration in Yemen. These countries are following a strategy of replacing domestic oil consumption with gas when possible to allow for increases in oil exports or (in the case of Jordan) decreases in oil imports.

29. Notwithstanding the overwhelming importance of oil, the agricultural sector remains vital to the economic and social development of the region because of its contribution to employment, exports and industrial development. During the last decade, the high priority accorded to this sector by member countries has led to increased production and greater self-sufficiency in many food commodities. However, the gap between production and consumption of agricultural commodities in general continued to widen.

30. The agricultural sector has been negatively affected not only by the Persian Gulf conflict, but also by adverse weather conditions, water shortages, overuse of its fragile natural resource base and desertification. These factors led to a sharp decrease in the volume of agricultural production in the ESCWA region in 1991

31. Iraq's agricultural sector was dramatically affected by the Persian Gulf conflict, which led to a major destruction of irrigation and drainage facilities. Jordan and Yemen were also severely affected by abnormally low levels of rainfall, which reduced production in the rain-fed areas. The ESCWA region's agricultural sector is still constrained by lack of adequate economic incentives for producers, deficient pricing policies, weak and inadequate research facilities, poor storage facilities and marketing problems.

32. In 1990, the value of agricultural imports into the ESCWA region totalled $17.3 billion, while agricultural exports amounted to $2.6 billion, thus resulting in a deficit in the agricultural balance of trade of $14.7 billion. Moreover, while agricultural imports represented about a quarter of all imports, agricultural exports represented a mere 2.5 per cent of total exports. This was partly due to rapidly rising domestic consumption of agricultural commodities that simultaneously increased imports and reduced exportables.

33. Most countries in the ESCWA region registered lower agricultural production in 1991 in comparison with 1990. Agricultural production is estimated to have declined in 1991 by 2.1 per cent in the Syrian Arab Republic, 3 per cent in Egypt, 3 per cent in Saudi Arabia, and 32 per cent in Iraq.

34. Cereal production in the region registered a decrease of 3.83 per cent in 1991 compared with 1990, mainly owing to lower production in Iraq (64 per cent), Jordan (24.4 per cent) and Lebanon (7.8 per cent). Cereal production increased in 1991 in Saudi Arabia (10.9 per cent), and Egypt (5.2 per cent). The self-sufficiency ratio in cereals in the ESCWA region as a whole increased from 45.4 per cent in 1989 to 51.3 per cent in 1990. The region's output of wheat decreased by 0.14 per cent in 1991, with Iraq registering a decline of 56 per cent, while Saudi Arabia, Egypt and the Syrian Arab Republic recorded higher output. Self-sufficiency in wheat for the region increased from 39.3 per cent in 1989 to 46.8 per cent in 1990.

35. In an effort to reduce imports, Governments in the region have been encouraging and supporting the development of livestock production. Index numbers indicate an increase in livestock production in 1991 in most countries of the region with the exception of Iraq, where production is estimated to have fallen by 23.6 per cent.

36. In 1991, poultry meat production in the region decreased by about 3 per cent. While production fell sharply in Iraq and Kuwait, it remained around its 1990 level in Bahrain, Oman and Qatar and increased in the rest of the countries, the increase varying from about 3 per cent in Egypt to about 10 per cent in Jordan.

37. Egg production decreased in 1991 by 1.46 per cent in the region as a whole, declining sharply in Iraq and Kuwait, remaining at about its 1990 level in Bahrain, Jordan and Qatar, and increasing in the other countries.

38. The region's production of milk declined in 1991 by 1.95 per cent. The decrease in milk production varied from 4.8 per cent in Lebanon to 22.1 per cent in Iraq and 97.6 per cent in Kuwait. However, increases were recorded in Oman (4.1 per cent), Qatar (5 per cent) and the United Arab Emirates (5.9 per cent).

39. The Persian Gulf conflict has greatly affected the course of industrial development in the ESCWA region. Its financial and economic repercussions have intensified the difficulties that were already confronting the manufacturing sector in several ESCWA countries. The impact of the crisis, however, has varied from one country to another. The Persian Gulf conflict has devastated the manufacturing sector of both Iraq and Kuwait, and its negative impact on the growth and development of the manufacturing sector of neighbouring ESCWA countries was also very serious. While recovery in some countries of the region is under way, the long-term effects of the Persian Gulf conflict on the growth and structure of the manufacturing sector will take time to erase.

40. Preliminary estimates for 1990 indicate that there was a very sharp decline in manufacturing activity, with output at current prices declining by 18.9 per cent, compared with a growth rate of 11.2 per cent in 1989 and 6.7 per cent in 1988. The value added in the manufacturing sector of the region as a whole was estimated at around $23 billion in 1990, compared with $28.7 billion in 1989 and $25.8 billion in 1988. The deterioration in overall performance was primarily due to the decline in manufacturing value added in Iraq and Kuwait during 1990. The exclusion of these two countries would have resulted in an overall growth rate of only 1.4 per cent in 1990.

41. Saudi Arabia ranked first in terms of its relative contribution to regional manufacturing value added, generating around 30 per cent of the total. Egypt and the Syrian Arab Republic came next, contributing 18 per cent and 12 per cent respectively. Before the outbreak of the Persian Gulf conflict, however, Iraq was second to Saudi Arabia, generating some 20 per cent of the total.

42. The GCC subregion experienced a slower deceleration in manufacturing activity relative to the rest of the region. Thus, while the growth rate of the GCC subregion, excluding Kuwait, dropped in 1990 by 5.8 percentage points to 1.7 per cent, the drop in the more diversified economies, excluding Iraq, was more grave, from 14.5 per cent to a mere 0.8 per cent. However, performance varied among the countries in the group. Jordan and Lebanon suffered an acute contraction in their manufacturing activities as a result of the Persian Gulf conflict, owing mainly to the loss of export markets and the consequent fall in output. Although exports to countries outside the region had increased to some extent by the end of 1991, alternative markets were still difficult to penetrate.

43. In Jordan, the manufacturing sector faced great difficulties in 1990 and 1991, sustaining some of the heaviest losses from the Persian Gulf conflict despite improvements resulting from increased domestic demand. In Lebanon, manufacturing activities experienced pronounced contraction in 1990, registering a decline of 24 per cent, as a result of heavy fighting and the Persian Gulf conflict.

44. In Egypt and the Syrian Arab Republic, the performance of the manufacturing sector in 1990 was better than in the other, more diversified economies of Western Asia. Both countries benefited from the increase in oil and cotton prices. In Egypt, the manufacturing sector grew by 9.2 per cent in 1990, compared with 1.3 per cent in 1989. This improved performance may be partly attributed to increased production in the fabricated metal industries as a consequence of the favourable effects of the restructuring policy and liberalization measures that had been introduced in 1988 and to the sharp depreciation of the Egyptian pound during the period prior to 1990.

45. Information available for 1991 indicates that the performance of the manufacturing sector remained generally weak, with some subsectors (mainly food, beverages, clothing and construction) benefiting, however, from rising demand. In the GCC countries, performance has reportedly been better than in the rest of the region. Major public projects in the GCC subregion, such as Saudi Arabia's petrochemical expansion projects, Qatar's Northfield gas project and the aluminium projects in Bahrain and the United Arab Emirates continued to be implemented as planned.

46. The ESCWA region's trade and balance of payments were negatively affected by the Persian Gulf conflict. The most adversely affected countries were Iraq and Kuwait. Trade flows stopped from August 1990 through late February 1991 for Kuwait and through 1991 and into 1992 for Iraq. The destruction of oil production and export facilities, in addition to other destruction, may affect the two countries' foreign trade and balance of payments for some years to come. Jordan and Yemen followed in terms of extent of damage done to their external sector. Iraq and the GCC countries were important export markets for both of them; accordingly their exports suffered severely from the sanctions imposed on Iraq on the one hand and from the deterioration in political relations with the Persian Gulf States on the other. Their balance of payments were adversely affected not only by the cessation of the inflow of aid from Gulf States, but also by the sharp decline in workers' remittances after the repatriation of about 750,000 Yemenites and 300,000 Jordanians and Palestinians. Moreover, the Persian Gulf conflict not only disrupted intraregional trade but also seriously damaged prospects for regional cooperation.

47. The aggregate dollar value of the ESCWA region's exports achieved its third successive increase in 1990, reaching $102 billion, a figure 15.3 per cent higher than that recorded the preceding year. However, this was still less than half the rate of increase recorded in 1989.

48. Exports increased in dollar terms in all ESCWA countries in 1990, with the exception of Jordan and Yemen. Exports of these two countries declined by 16 per cent and 6.9 per cent respectively, mainly because they had lost their traditional export markets in Iraq and the GCC countries after the eruption of the Persian Gulf conflict. The exports of Lebanon increased by 3.3 per cent in 1990 after declining by 20.2 per cent in 1989. Syrian exports increased by 35.2 per cent.

49. Apart from Iraq and Kuwait, where a sharp decline was recorded in exports (34.7 per cent and 49.1 per cent respectively), the remaining oil-exporting countries, with the exception of Yemen, recorded high rates of export growth in 1990, ranging between 20.7 per cent (for Bahrain) and 56.6 per cent (for Saudi Arabia).

50. Judging by preliminary data available for some GCC countries, the decline in oil prices in 1991 and the continuation of economic sanctions against Iraq, it appears that with the exception of Saudi Arabia, exports of other GCC countries and Iraq declined in dollar terms in 1991, especially Iraq's. As for the other ESCWA countries, the world economic recession, the falling prices of oil and primary commodities and the adverse effects of the Persian Gulf conflict are expected to have negatively affected their exports in 1991.

51. The ESCWA region's aggregate imports totalled around $70 billion in 1990, implying a 3.2 per cent increase over 1989. This small growth took place notwithstanding the sharp decline in imports into Iraq (33.5 per cent) and Kuwait (48.2 per cent). Imports by Yemen also declined, by 18.5 per cent. Imports increased in all other ESCWA countries in 1990.

52. The continuous decline in the region's ability to finance imports from export proceeds, which reached its lowest level in 1986 (0.88), showed a small improvement in 1988 as the ratio increased to unity, that is, export proceeds were adequate to cover imports. The increase in the region's exports during 1989 and 1990 while the level of import remained relatively stable led to a large increase in the export/import ratio, which reached 1.31 and 1.46 respectively. All groups of countries in the region contributed to the improvement of the export/import ratio in 1989. However, the improvement in 1990 mirrored the situation only in the oil-exporting countries, particularly the GCC countries.

53. The overall geographical distribution of exports from the ESCWA region showed significant changes in 1990 and 1991 compared with 1989. The share of the developed market economies, the region's major export outlet, increased from 46.4 per cent in 1989 to 56.1 per cent in 1990, but declined slightly in 1991. The share of other developing regions declined from 22.5 per cent in 1989 to 21.3 per cent in 1990 and 18.3 per cent in 1991. Intraregional exports declined from 8 per cent in 1989 to 6.1 per cent in 1990 and then to 5.8 per cent in 1991.

54. The import trade of Western Asia continued to be dominated by suppliers from developed market economies, whose share increased from an average of

about 57 per cent in 1989 and 1990 to 61.3 per cent in 1991. The major trading partners remained the European Economic Community (EEC), followed by the United States of America and Japan. These were followed by suppliers from other developing regions (14.4 per cent). Intraregional imports declined from 9.8 per cent of the total in 1989 to 8 per cent in 1990 and to 7.6 per cent in 1991.

55. The combined current account balance of the region, excluding Iraq and Lebanon in 1989 and 1990 and Kuwait in 1990, registered a surplus in 1989 after seven years of continued deficits. The surplus increased further in 1990, rising form $2.4 billion to $4.4 billion. The improvement came as a result of the sharp increase in the trade surplus, which rose from about $2.1 billion in 1988 to $20.9 billion in 1989 and further to $32.3 billion in 1990. This in turn reflected the improvement in the GCC countries. In contrast, the deficit on the services account rose from $6.3 billion in 1989 to $14 billion in 1990, while the deficit on unrequited transfers rose from $5.4 billion to $8.6 billion. The improvement in the trade balance in 1990 reflected essentially higher oil exports after the surge in oil prices beginning in August, but also the continuous compression of imports.

56. The external accounts of the more diversified economies of the region have been traditionally influenced to a considerable extent by impulses originating in the GCC countries and Iraq in the form of trade, aid, workers' remittances and payments on account of tourism, transit and other services. The group's trade deficit (excluding Lebanon) deteriorated from $0.8 billion in 1989 to $8 billion in 1990, in spite of the increase in the Syrian Arab Republic's trade surplus from $1.2 billion to $2.2 billion as its export performance continued to improve. In Jordan, the trade deficit more than doubled, reflecting the steep decline in exports, and in Egypt the deficit increased as a result of a surge in imports.

57. Aggregate international reserves of the ESCWA region (excluding Iraq) fell from $35.6 billion in 1989 to $31.4 billion in 1990. This decline reflected entirely the position of the GCC countries (in particular Saudi Arabia and Kuwait), which drew heavily on their international reserves to help meet obligations and outlays related to the Persian Gulf conflict. The international reserves of the more diversified economies increased from $7.8 billion to $8.8 billion over the same interval.

58. The decline in the region's international reserves has meant less adequate provisions for imports and other necessary foreign exchange outlays, thus increasing member countries' external exposure and vulnerability. The reserve/import ratio for the ESCWA region as a whole declined from 6.3 months in 1989 to 5.8 months in 1990.

59. The external debt of the ESCWA countries was on the rise during the 1980s and has been so during the first two years of the 1990s, with some of the highly indebted countries rescheduling part of their debt and some others building up arrears. The total identified debt of the ESCWA countries jumped

from around $113 billion in 1985 to over $153 billion in 1990, thus constituting around 9 per cent of total external debt of all developing countries in the latter year.

60. For a number of countries, the debt situation is serious, and in some cases (Jordan, Egypt, the Syrian Arab Republic and Yemen) critical. In those countries, debt service and debt repayments have been rising, with adverse repercussions perhaps as severe as in other highly indebted developing countries. However, following the forgiveness by their creditors in the wake of the Persian Gulf conflict of a significant portion of the debts of Egypt and the Syrian Arab Republic, the external debt of the former is estimated to have been reduced to under $30 billion, down from around $55 billion in mid-1990. Part of the forgiveness of Egypt's debt is related, however, to its progress in implementing economic adjustment and reform policies supported by the International Monetary Fund and the World Bank. The external debt of the Syrian Arab Republic is estimated to have been reduced by a quarter, to around $12 billion, down from $16 billion at end-1989. Meanwhile, Jordan's foreign debt was rising in the late 1980s and early 1990 and was estimated at $7.2 billion at the beginning of 1992. The country was able in early 1992 to reach an agreement with the Paris Club providing for a 10-year postponement of the debt repayment instalments of official debts to Paris Club members. If Jordan manages to work out a similar agreement with the London Club the Kingdom's annual payment burden will ease to $700 million - $800 million until 1993, when it will have to work out fresh rescheduling arrangements for payments due from 1994 onwards. However, even the $700 million - $800 million debt servicing level may pose a heavy burden on Jordan, given the cessation of aid from the GCC countries and the decline in workers' remittances.

61. The foreign exchange rates of the GCC countries, with the exception of Kuwait, remained fairly stable in 1990 and 1991. Kuwait, however, has managed to restore the exchange rate to the level that existed prior to the eruption of the Persian Gulf conflict, thus restoring confidence in the Kuwaiti dinar and helping stem capital outflows.

62. The Iraqi dinar depreciated sharply in the parallel market following the outbreak of the Persian Gulf conflict. Thus while officially the Iraqi dinar is set at about $3.22, its value in the paralled market tumbled from around four Iraqi dinars per dollar before the Persian Gulf conflict to more than ten Iraqi dinars per dollar in 1991 and more than fourteen Iraqi dinars per dollar during the first quarter of 1992. The Lebanese pound (LL), which had been strengthened by the ending of fighting as a result of the Taif Agreement (ratified 5 November 1989) and supported by the Central Bank of Lebanon at the rate of 879 pounds to the dollar, tumbled to a record low of more than LL 1,400 to the dollar in early April 1992 following the Central Bank's decision in February 1992 to stop intervening in the foreign exchange market. Egypt declared a unified exchange rate as recommended by the International Monetary Fund on 1 October 1991, four months ahead of schedule. The Egyptian pound (LE) remained fairly stable during the fourth quarter of 1991 and first quarter of 1992 at around LE 3.3 to the dollar. On the other hand, Yemen introduced in early 1992 a new exchange rate of 18 Yemeni rials (YRIs) to the

dollar, to be used in the calculation of customs duties. The official rate at the Central Bank of Yemen remains at 12 YRIs to the dollar, while in the parallel market the rate is about 30 Yemeni rials to the dollar.

63. The government budgets of most ESCWA countries were adversely affected by the Persian Gulf conflict and its aftermath. While oil revenues surged unexpectedly in 1990, the GCC countries and especially Saudi Arabia sharply increased their expenditures to finance the consequences of the Persian Gulf conflict. Saudi Arabia had a budget deficit of $16 billion in 1990 and a similar shortfall was envisaged for 1991. Moreover, priorities in government expenditures have tilted towards defence and security and in the case of Kuwait also towards reconstruction. Kuwait's long-delayed 1991-1992 budget projects a record deficit of $18.3 billion in the first full fiscal year since the Persian Gulf conflict. Expenditures in the 12 months to July 1992 are forecast at $21.3 billion against revenues of $3 billion. The United Arab Emirates' 1992 budget deficit is expected to be slightly higher than in 1991, with revenues estimated at $4.32 billion against $4.13 billion in 1991 and expenditures at $4.7 billion compared with $4.45 billion in 1991.

64. After the end of the Persian Gulf conflict, the GCC countries resumed implementing development projects that had been delayed by the crisis. In the process, some countries had to resort to external borrowing.

65. The efforts of the more diversified ESCWA countries to substantially reduce their large budget deficits have not generally been successful. These countries have been able to neither significantly raise domestic revenues nor considerably reduce expenditures, owing to the difficulties in cutting major items of current expenditures such as defence, subsidies, debt service payments and wages and salaries. The International Monetary Fund (IMF) has urged a number of ESCWA countries, especially those with debt repayment problems such as Egypt and Jordan, to drastically reduce the ratio of the budget deficit to gross domestic product (GDP) as one of the basic adjustment measures. Recent budget estimates reflect attempts to lower budget deficits.

66. The budget estimates for 1990 and 1991 of the more diversified ESCWA countries generally reflect an increase in the level of expenditures below inflation rates. In Jordan, expenditures were cut by 1.8 per cent in 1989; however, there was a marginal increase in 1990 and 1991, mainly owing to expenditures related to accommodating the returnees, as other expenditures were reduced. Jordan had frozen wages and salaries of public employees in 1990 and 1991 but allotted a sum amounting to 48 million Jordanian dinars (JD 48 million) for their increase in 1992; and it reduced expenditures on subsidies by 5 per cent in 1990 and 1991 and cut development expenditures. Egypt has also cut expenditures on subsidies, which exert a heavy burden on the country's budget.

67. On the revenue side Egypt and the Syrian Arab Republic, both relatively minor oil producers, benefited from higher oil prices in 1991. Both countries, in addition to Jordan and Yemen, are attempting to increase their tax revenues. Egypt has reduced tax concessions and improved its tax

collection methods. In the wake of the economic reforms agreed with IMF, Egypt replaced the consumption tax by a 10 per cent sales tax in 1991. Jordan is currently considering increasing domestic revenues through the imposition of a value added tax, and raising income tax revenues.

68. The economic outlook for the ESCWA region will continue to be influenced strongly by the Persian Gulf conflict and its aftermath in 1992 and for several years to come. The financial constraints that were accentuated by the Persian Gulf conflict will negatively affect the level of investment expenditures in the ESCWA region as a whole and the resource-deficit countries in particular. Reconstruction, and rebuilding of Kuwait's oil industry in particular, is expected to continue to progress rapidly. However, economic activities by the private sector may be expected to remain relatively sluggish. The return of business confidence to the GCC countries is expected to enhance their economic activities during 1992.

69. Following present trends, Iraq is expected to continue to suffer in 1992 from the devastation of its economy during the Persian Gulf conflict, as well as from the United Nations economic sanctions. While the removal of sanctions should help stop socio-economic conditions from deteriorating further, full economic recovery will take considerable time, given the enormous external financial obligations outstanding and the large domestic investment and reconstruction requirements.

70. ESCWA countries that have to cope with large numbers of returnees from the Persian Gulf will continue to suffer from the burden of absorbing those returnees and from the decline in workers' remittances. Moreover, financial aid and trade relations between the GCC countries and countries regarded as having been sympathetic to Iraq during the Persian Gulf conflict are expected to remain minimal in 1992, and possibly for several years thereafter. On the other hand, economic relations may be expected to strengthen further between the GCC countries and countries that supported them during the Persian Gulf conflict.

III. SOCIAL DEVELOPMENTS

71. Owing to the Persian Gulf conflict, social conditions in the ESCWA region have undergone significant changes with negative and far-reaching implications for all countries that are expected to last for a long time. Furthermore, those changes are expected to affect all segments of the population, but especially the disadvantaged groups such as youth, women, the elderly, disabled persons and refugees.

72. The Persian Gulf conflict has added new social problems to already existing ones, particularly with regard to the forced migration of large numbers of people as a result of the war and the subsequent disruption of long-standing political and economic ties among ESCWA countries. These emerging socio-economic difficulties are adding in some countries of the region to the deteriorating social conditions, in particular those reflected

by poverty; unemployment; differences in living standards; social instability; weakened family ties; juvenile delinquency and drug abuse; increasing numbers of disabled persons, refugees and displaced persons; and the rise in disruptive and socially unacceptable modes of behaviour.

73. With the deterioration of social conditions in the ESCWA region, some countries have been obliged to exploit available facilities more intensely. For example, the Government of Jordan was obliged to introduce the double-shift system in many of its schools in order to accommodate the influx of returning students from the Persian Gulf countries, while preparations are being made to build more schools in various governorates to provide better facilities for the students and end the two-shift system.

74. Educational expansion and improvements, which have been a major characteristic of social development in the region, continued in 1991. The adult literacy rate for the region as a whole is believed to have reached 50 per cent. Adult literacy rates range from 76.8 per cent (Lebanon) to 30 per cent (Oman), with three countries having rates below 50 per cent (30 per cent in Oman, 32.4 per cent in Yemen and 44.6 per cent in Egypt). Five countries (Bahrain, Jordan, Kuwait, Lebanon and Qatar) have recorded literacy rates of over 70 per cent. Most significant in this regard is the fact that the gross enrolment rate in primary education (an indicator of long-term trends and future projection on literacy) has almost reached 90-100 per cent in all countries except Yemen and Saudi Arabia.

75. Health conditions in the ESCWA region have improved over the past few years, owing primarily to systematic national health programmes and financial assistance given by the oil-rich Persian Gulf countries to poor countries in the region. The infant mortality rate at the regional level has improved from 96 per 1,000 births during 1980-1985 to 59 per 1,000 births projected during 1990-1995. Life expectancy at birth at the regional level has improved from 59.9 during 1980-1985 to 64.5 during 1990-1995. The estimated infant mortality rate ranges from 15 for Kuwait to 107 for Yemen during 1990-1995. Similarly, life expectancy at birth ranged from 73.4 for Kuwait to 51.5 for Yemen in 1990.

76. The economic and social disruption and destruction caused by the Persian Gulf conflict and its aftermath have had a negative impact on health conditions in many ESCWA countries, but that negative impact has been most serious by far in Iraq. The mortality rate of children under five years of age in Iraq is reportedly 380 per cent greater than before the onset of the Persian Gulf conflict. Over 900,000 Iraqi children were reported to be malnourished in 1991, and the situation continues to deteriorate.

77. The rural population still represents a majority in both Yemen and Oman and to a lesser extent Egypt. The rural population in the region has been living in socially, culturally and economically disadvantaged conditions. The lack of adequate employment opportunities, health services, education, social life and recreation has resulted in a continuing massive rural-urban migration of the youth populations.

78. Population policies alone cannot curb rural-urban migration and urban congestion as long as migrants respond to existing income differentials. Solutions should be undertaken, in the rural and urban social and economic contexts, to improve living standards in rural communities by responding to vital needs of rural youth in the areas of food, clothing, housing, education, health, recreation and, most important of all, employment.

79. Since a considerable number of expatriate workers in the Persian Gulf countries came from rural areas, the unplanned return of mainly unskilled expatriate workers to the rural communities is very detrimental to socio-economic conditions in the labour-sending countries of the region. The reintegration of the returning workers within rural communities is expected to be difficult and challenging, given the magnitude of the unemployment problem in these countries and their limited financial resources.

80. The magnitude of the problem of disability in Western Asia has increased in size, as well as scope, owing to armed conflicts such as the conflict between Iraq and Iran, Lebanese civil strife, the Persian Gulf conflict and efforts to suppress the intifadah in the occupied Palestinian territory. Furthermore, there is a significant undernumeration of the disabled female population in most ESCWA countries.

81. The ESCWA region is characterized by a large youth population. It is estimated that 18.7 per cent of the total population of the region are young people in the age range of 15-24 years. In 1990, this population amounted to 23 million people. The ratio of the youth population to the total population is expected to rise to 20 per cent by the year 2005. The highest proportion of the youth population in the ESCWA region is found in Lebanon and Jordan, where 22 per cent of the total population is between the ages of 15 and 24, followed by Yemen. The lowest ratio is in the United Arab Emirates (13 per cent), followed by Bahrain (15 per cent).

82. In 1990, the number of elderly persons of over 60 years of age as a proportion of the total population of the region was 5.1 per cent, and the number of those over 65 years of age as a proportion of the total population was only 3.2 per cent, a ratio much lower than the world average. However, in the year 2025, it is expected that these percentages will reach 8.4 per cent and 5.6 per cent respectively. The needs for social services for the elderly have increased, and the extension of coverage of those needs by both public and private social service networks should be a matter of urgency. New policies for the ageing, such as flexible retirement schemes, vocational retraining and income security schemes are needed. The active participation of voluntary organizations in assisting the elderly should be promoted, together with efforts to conserve essential family services and strengthen family ties.

Notes

1/ Summary of Iraq's Financial Obligations and Basic Requirements, report submitted by the Ambassador of Iraq to the United Nations, 29 April 1991, p. 7.